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**TRUST LAND SOLD & IN PROCESS OF SALE
 VIA LAND BANKING
 2006 – 2009**

SALE DATES	SALES & PROJECTED SALES PRICE	ANNUAL INCOME	RATE OF RETURN RANGE	ACRES
2006-2008	\$15,647,121	\$39,572	.05 – 1.86	28,871
2009	\$9,141,237	\$23,149 est.	.05 - 1.86 est.	16,897
Est. Totals	\$24,788,398	\$60,693	.05 - 1.86	45,768


LANDS ACQUIRED VIA LAND BANKING

County	Acres	Purchase Price	Annual Net Income	Estimated Rate of Return	Purchase Date
Cascade	897.2 Grazing/Ag	\$718,256	\$15,502	2.16%	11/06
Valley	530 Ag	\$618,000	\$11,752	1.90%	12/06
Lewis & Clark	1,041 Grazing/Timber	\$1,131,636	\$912	0.08%*	12/06
Powell	1,439 Grazing/Timber	\$540,735	\$745	0.14%	12/06
Powell	1,777.67 Grazing/Timber	\$1,271,000	\$18,441	1.45%**	07/08
Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$27,078	2.10%	01/07
Custer	18,544.18 Grazing/Ag	\$4,800,000	\$70,243	1.46%	04/07
Teton	5,211.98 Grazing/Ag	\$4,980,000	\$157,580	3.16%**	12/08
TOTALS	31,283.58	\$15,349,627	\$302,253	1.96% Avg.	
Fergus	304.05 Grazing	\$150,000	\$1,500	1.0%	2/09
Powell	14,581 Timber	\$7,300,000 est.	\$146,000 est.	1.4 - 2% est.	12/09
EST. TOTALS	46,168.63	\$22,799,627	\$449,753	1.97%	

Average cost / acre	Average income / acre
Acquisitions = \$491	Purchases = \$9.66
Sales = \$541	Sales = \$1.37

* Rate of return only reflects secondary income from grazing, timber will be harvested from the property during the next 60 years.

** Rate of return based on projected income at time of purchase.

Montana Code Annotated - 2007[Previous Section](#)[MCA Contents](#)[Part Contents](#)[Search](#)[Help](#)[Next Section](#)

77-2-364. Land banking purchases. (1) The board may select and purchase, lease, receive by donation, hold in trust, or in any manner acquire for and in the name of the state of Montana, in trust for the beneficiaries specified in sections 10 through 19 of The Enabling Act of Congress (approved February 22, 1889, 25 Stat. 676), as amended, any interest in real property and improvements, tracts, and leaseholds of land that the board considers proper in order to best provide prudent, maximum, long-term revenue for the beneficiaries.

(2) Sales of state land may be initiated only by the board, by the department, or at the request of a lessee, pursuant to [77-1-202](#), [77-1-301](#), [77-2-301](#), or [77-2-308](#). The board shall ensure that the full market value of the land sold is realized for each trust by using the appraisal, sale, advertising, and competitive bid procedures contained within [77-2-303](#), [77-2-321](#), [77-2-322](#), [77-2-323](#), and [77-2-324](#). The estimated fair market value must be determined by a Montana-licensed and Montana-certified appraiser.

(3) When it is not inconsistent with the purpose of the trust, the board shall purchase land possessing legal access for all legal purposes.

(4) When purchasing land, easements, or improvements for the existing trusts, the board shall develop and apply appraisal and revenue projection procedures to ensure that the land or easements proposed for purchase or that the improvements proposed to be acquired are likely to produce more net revenue for the affected trust than the revenue that was produced from the land that was sold. The board may not purchase land, easements, or improvements pursuant to [77-2-361](#) through [77-2-367](#) unless it has first prudently determined that the land, easements, or improvements are likely to produce a greater or equal annual rate of return, as may be reasonably expected over a 20-year accounting period for Class 1, 3, and 4 lands and over a 60-year accounting period for Class 2 lands, as described in [77-1-401](#), with an acceptable level of risk for the affected trust, than the current annual rate of return from the state land that has been sold pursuant to [77-2-363](#). As guidance, the board shall use generally accepted accounting standards and the Uniform Appraisal Standards for Federal Land Acquisitions published by the U.S. department of justice and the appraisal institute.


(5) Prior to purchasing any land, easements, or improvements, the board shall determine that the financial risks and benefits of the purchase are prudent, financially productive investments that are consistent with the board's fiduciary duty as a reasonably prudent trustee of a perpetual trust. For the purposes of implementing [77-2-361](#) through [77-2-367](#), that duty requires the board to:

(a) discharge its duties with the care, skill, prudence, and diligence that a prudent person acting in a similar capacity with the same resources and familiar with similar matters should exercise in the conduct of an enterprise of similar character and aims;


(b) diversify the land holdings of each trust to minimize the risk of loss and maximize the sustained rate of return;

(c) discharge its duties and powers solely in the interest of and for the benefit of the trust managed;

(d) discharge its duties subject to the fiduciary standards set forth in [72-34-114](#); and



(e) maintain, as closely as possible, the existing land base of each trust, consistent with the state's fiduciary duty.



(6) Prior to purchasing a parcel of land in excess of 160 acres in any particular county, the board shall consult with the county commissioners of the county in which the parcel is located.

History: En. Sec. 14, Ch. 355, L. 2003; amd. Sec. 2, Ch. 396, L. 2007; amd. Sec. 3, Ch. 456, L. 2007.

Department of Natural Resources and Conservation
LAND BANKING REPORT
2009 Legislative Session – January 2009

Property Tax Estimates on Sales by County

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME	EST. 2009 TAXES
1280	Blaine	\$324,450	\$2,561	\$831.22
295	Carbon	\$1,342,250	\$490	\$370.96
2706	Chouteau	\$513,370	\$3,866	\$1,819.86
9,585	Custer	\$1,461,800	\$11,382	\$21,503.86
85	Flathead	\$6,400,000	\$1,119	\$2054.51
9,600	Garfield	\$1,382,900	\$12,238	\$16,326.00
404	Hill	\$120,600	\$575	\$558.47
1,520	Lewis & Clark	\$1,474,000	\$2,626	\$197.29
597	Liberty	\$149,453	\$919	\$525.07
479	Madison	\$886,298	\$601	\$161.90
720	Powell	\$1,224,000	\$1,156	\$470.29
1,600	Treasure	\$368,000	\$2,039	\$781.23
28,871	TOTAL	\$15,627,121	\$39,572	\$45,600.67

Estimated Property Taxes on Tracts Acquired 2006-2008

Tract	County	Acres	Purchase Price	Annual Net Income	Estimated Rate of Return	Purchase Date	Taxes
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$15,502	2.16%	October-06	\$1,084.28
Capdeville Ranch	Valley	530 Ag	\$618,000	\$11,752	1.90%	December-06	\$750.00
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$912	0.08%*	December-06	\$1,101.45
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$745	0.14%*	December-06	\$1,025.34
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$18,441	1.45%	July-08	\$1,456.42
Powell County Total							\$2,481.76
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$27,078	2.10%	January-07	\$3,294.20
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$70,243	1.46%	April-07	\$11,705.30
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$157,580	3.16%	December-08	\$12,000.00
TOTALS		31,283.58	\$15,349,627	\$302,253	1.97%		\$32,416.99

Department of Natural Resources and Conservation
LAND BANKING REPORT
2009 Legislative Session – January 2009

Background:

HB 223 (77-2-361 through 367, MCA) passed the Legislature in 2003 with bipartisan support, including unanimous support from the Land Board. HB 223 enacted a Land Banking program whereby the proceeds of trust land sales would be placed in a special land banking account which could only be used to acquire other real property interests (land, easements, or improvements). A sunset of October 1, 2008 was inserted into the bill to ensure that Land Banking was a pilot program. In 2007 the Legislature extended the sunset to October, 2011.

Statute requirements:

- Land Banking will sunset in 2011
- Limits sale of land to 100,000 acres
 - 75% of the 100,000 acres must be isolated land
 - Limits sales to 20,000 acres until replacement properties were purchased
- Replacement land must generate as much or more revenue than the land sold

Goals of the program:

- Increase public access to state trust land
 - 142,852 acres have been nominated for sale
 - 28,871 acres have been sold, 97.6% were isolated
 - 31,283 acres have been purchased, all are legally accessible with recreational opportunities
- Improve the investment portfolio of the beneficiaries by diversifying land holdings
 - lands sold generated \$39,572 annually
 - lands acquired will generate \$302,253 annually
 - lands sold are predominately isolated grazing lands and the lands acquired include agricultural, grazing and timbered lands
- Enhance management and stewardship activities with land consolidation
 - lands acquired are contiguous and in most cases consolidate existing state ownership

Milestones:

- A Negotiated Rulemaking process was approved by the Board of Land Commissioners in June 2004, and the Committee was initiated in October 2004.
- Administrative Rules (ARM 36.25.801 through 817) were given final approval by the Board of Land Commissioners in September 2005. Rules have been amended to reflect 2007 statutory changes.
- **142,852** acres have been nominated for sale since program inception. Processed and sold **28,871** acres of land consisting of **110** parcels. 28,186 acres were isolated (97.6%), while 685 acres were legally accessible (2.4%).
- Agency is currently processing 23,579 acres of land for sale; 20,733 isolated (87.9%); 2,846 legally accessible (12.1%).
- **31,283.58** legally accessible acres in 8 parcels have been purchased.
- Agency is currently processing 3 parcels for acquisition with a total of 19,668 acres; 304 acres in Fergus Co., 14,581 acres Powell & Missoula Co., and 4,783 acres in Valley Co.

LAND BANKING SALES CLOSED

Land Banking Rules require a rigorous examination of trust land prior to sale, including evaluation using the Montana Environmental Policy Act (MEPA) process, appraisal, notification of lessees, beneficiaries, adjacent landowners, licensees, publication of legal notices, culminating in public auctions after which final Board approval is required.

Trust Land Sold via Land Banking 2006 – 2008**Sales by Trust**

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	RATE of RETURN RANGE
27,028	Common Schools	\$14,543,231	\$36,269	0.02% - 1.86%
600	MSU Morrill	\$600,000	\$1,377	0.23%
604	Public Building	\$366,600	\$978	0.05% - 1.02%
80	School of Mines	\$20,000	\$172	0.69% - 1.02%
559	State Industrial School	\$117,290	\$776	0.42% - 0.99%
28,871		\$15,647,121	\$39,572	

Sales by County

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME
1280	Blaine	\$324,450	\$2,561
295	Carbon	\$1,342,250	\$490
2706	Chouteau	\$513,370	\$3,866
9,585	Custer	\$1,461,800	\$11,382
85	Flathead	\$6,400,000	\$1,119
9,600	Garfield	\$1,382,900	\$12,238
404	Hill	\$120,600	\$575
1,520	Lewis & Clark	\$1,474,000	\$2,626
597	Liberty	\$149,453	\$919
479	Madison	\$886,298	\$601
720	Powell	\$1,224,000	\$1,156
1,600	Treasure	\$368,000	\$2,039
28,871	TOTAL	\$15,627,121	\$39,572

Average Sale Price per acre for Sold Parcels = \$541

Average Income per acre for Sold Parcels = \$1.37

LAND BANKING ACQUISITIONS CLOSED

Criteria for tracts acquired:

- Increasing rate of return compared with the land sold.
- Improving access and consolidating land holdings.
- Maintaining a similar land base consistent with the state's fiduciary duty.
- Considering equalization of land base through sales and acquisitions by geographic area.

The following table summarizes replacement property acquired with Land Banking proceeds. Note that while 28,871 acres were sold generating \$15,627,121 in sales revenue, the state has acquired 31,283.58 acres while spending \$15,349,627. Additionally, the replacement acreage is all publicly accessible, while producing more than twice the rate of return to the beneficiaries.

Tracts Acquired Through Land Banking 2006-2008							
Tract	County	Acres	Purchase Price	Appraised Value	Annual Net Income	Estimated Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$15,502	2.16%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$11,752	1.90%	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$1,480,000	\$912	0.08%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$745	0.14%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$27,078	2.10%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$70,243	1.46%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$18,441	1.45%**	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$157,580	3.16%**	December-08
TOTALS		31,283.58	\$15,349,627	\$16,384,600	\$302,253	1.97% Avg.	

Average Cost per Acre for Acquisitions = \$491

Average Income per Acre for Acquisitions = \$9.66

* Rate of Return only reflects secondary income from grazing, timber will be harvested from the property during the next 60 years.

** Rate of Return based on projected income at time of purchase.

Eustance Ranch

Cascade County

Grazing/Ag Acres

897.2

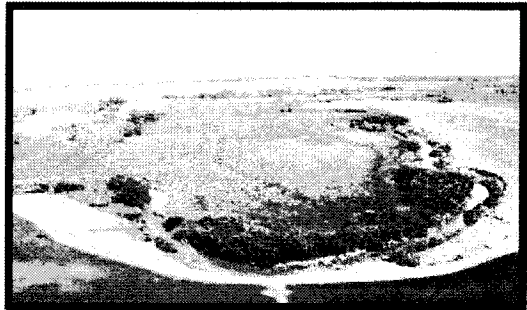


Capdeville Ranch

Valley County

Ag Acres

530



North Lincoln

Lewis and Clark County

Graz/Timber Acres

1,041

Ovando Mtn.

Powell County

Graz/Timber Acres

1,439



Wolf Creek Ranch

Fergus County

Grazing/Ag Acres

1,842.55



Tongue River Ranch

Custer County

Grazing/Ag Acres

18,544.18



Tupper Lake

Powell County

Graz/Timber Acres

1,777.67



DeBruycker Farm

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5,211.98



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Eustance Ranch

Cascade County

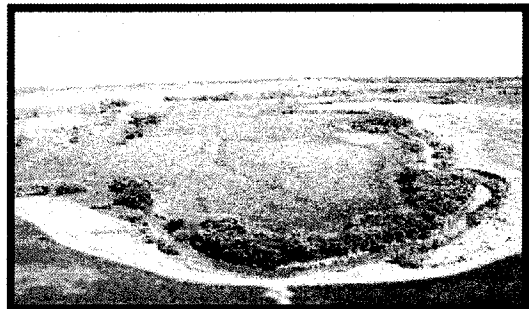
Grazing/Ag Acres 897.2



Capdeville Ranch

Valley County

Ag Acres 530



North Lincoln

Lewis and Clark County

Graz/Timber Acres 1,041

Ovando Mtn.

Powell County

Graz/Timber Acres 1,439



Wolf Creek Ranch

Fergus County

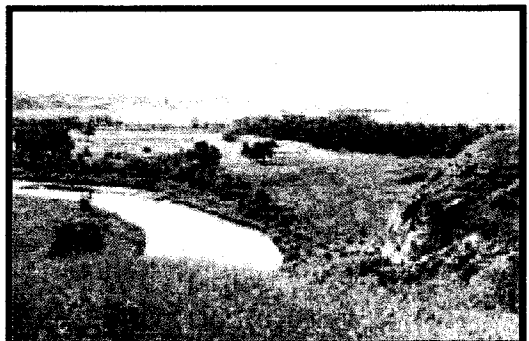
Grazing/Ag Acres 1,842.55



Tongue River Ranch

Custer County

Grazing/Ag Acres 18,544.18



Tupper Lake

Powell County

Graz/Timber Acres

1,777.67



DeBruycker Farm

Teton County

Grazing/Ag Acres

5,211.98

